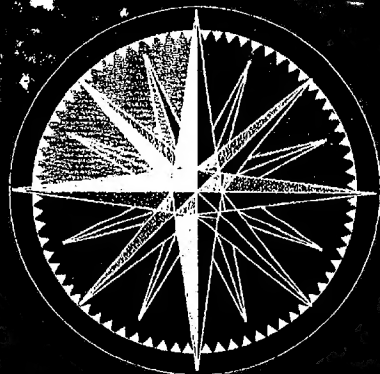


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6 December 1963

OCI No. 0309/63

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WEEKLY SUMMARY

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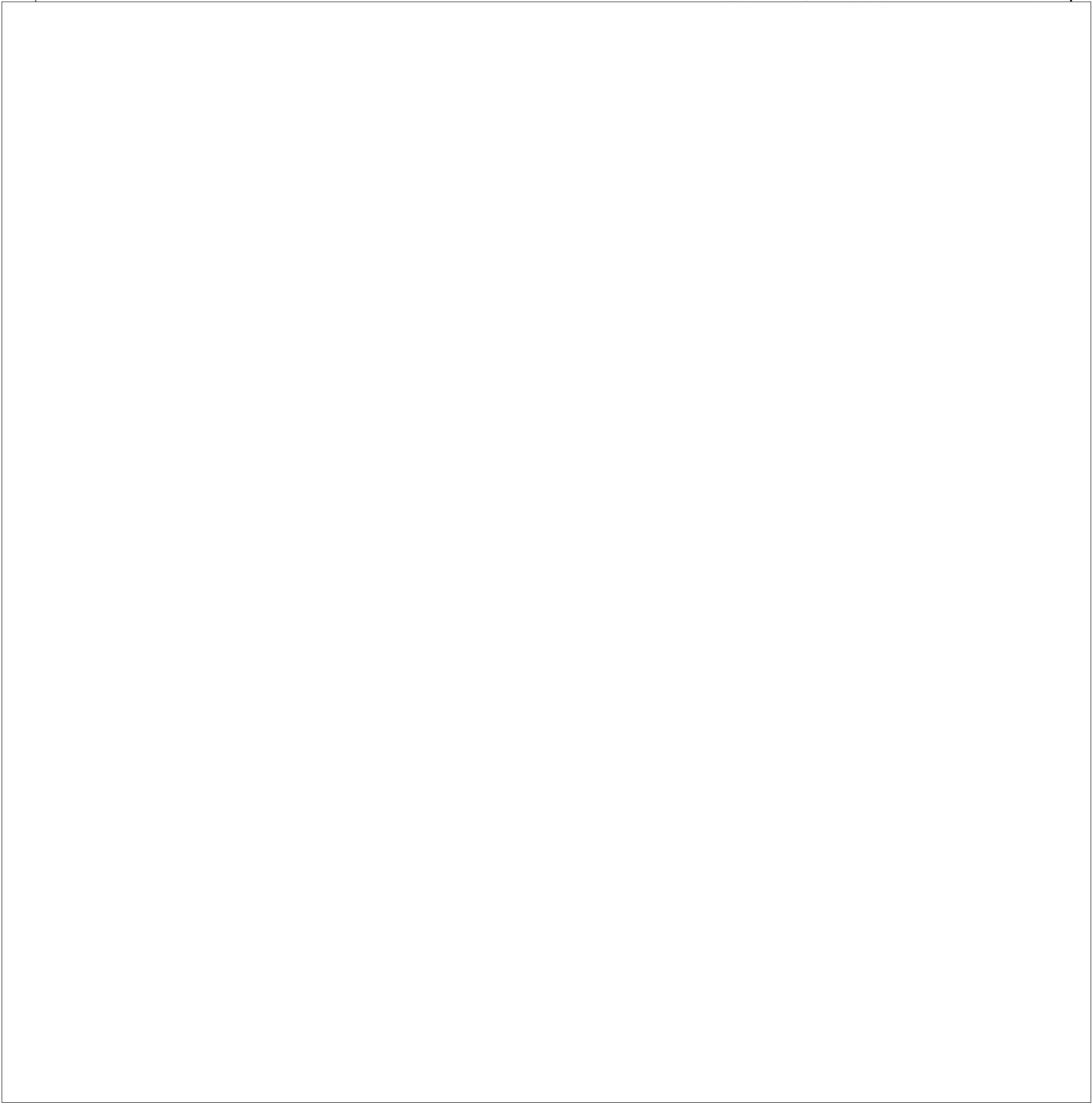
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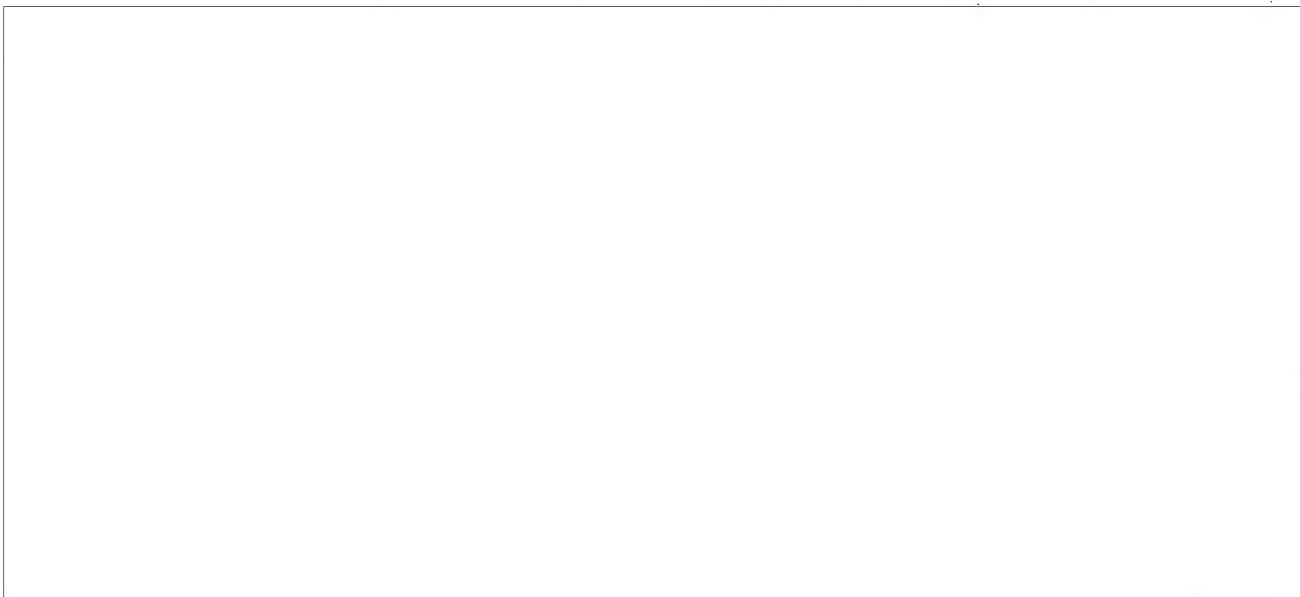


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The Communist World

STATUS OF COMMUNIST WHEAT DEALS

During the period of stalemated Soviet negotiations for 2.5 million tons of US wheat, other Communist countries have moved ahead with new purchases. The East European countries are concluding three- to five-year purchase agreements with Canada, and Communist China has made its first purchases for 1964 delivery from Western countries.

In addition to the 8 million tons of wheat the USSR has under contract from Canada and Australia, Moscow has bought about 400,000 tons of wheat flour in Western Europe, is importing 400,000 tons of wheat on loan from Rumania, and is purchasing smaller quantities of grain other than wheat.

The European satellites have contracted for the delivery during 1964 of approximately 1.8 million tons of free world wheat and smaller quantities of other grain. These relatively large purchases are necessary to offset shortfalls in imports of Soviet grain during 1963-64. The USSR had supplied 2.7 million tons of wheat annually in 1961 and 1962. Hungary has asked for additional amounts of US wheat, and the Czechs seek financing of over 200,000 tons of American wheat. Bulgaria has approached US officials concerning prospective grain imports, and Poland has requested 900,000 tons of American wheat under PL-480. The satellites also are negotiating with West European brokers for smaller quantities of grain.

Agreements with Canada for a total of over 2 million tons of wheat covering deliveries beyond 1964 have been signed by Poland, Czechoslovakia, and Bulgaria. Ottawa also expects to conclude similar agreements with Hungary and East Germany. Satellite long-term interest in Western grain reflects acknowledgment of Soviet agricultural problems and the inability of the satellites to meet their growing needs for grain from domestic production.

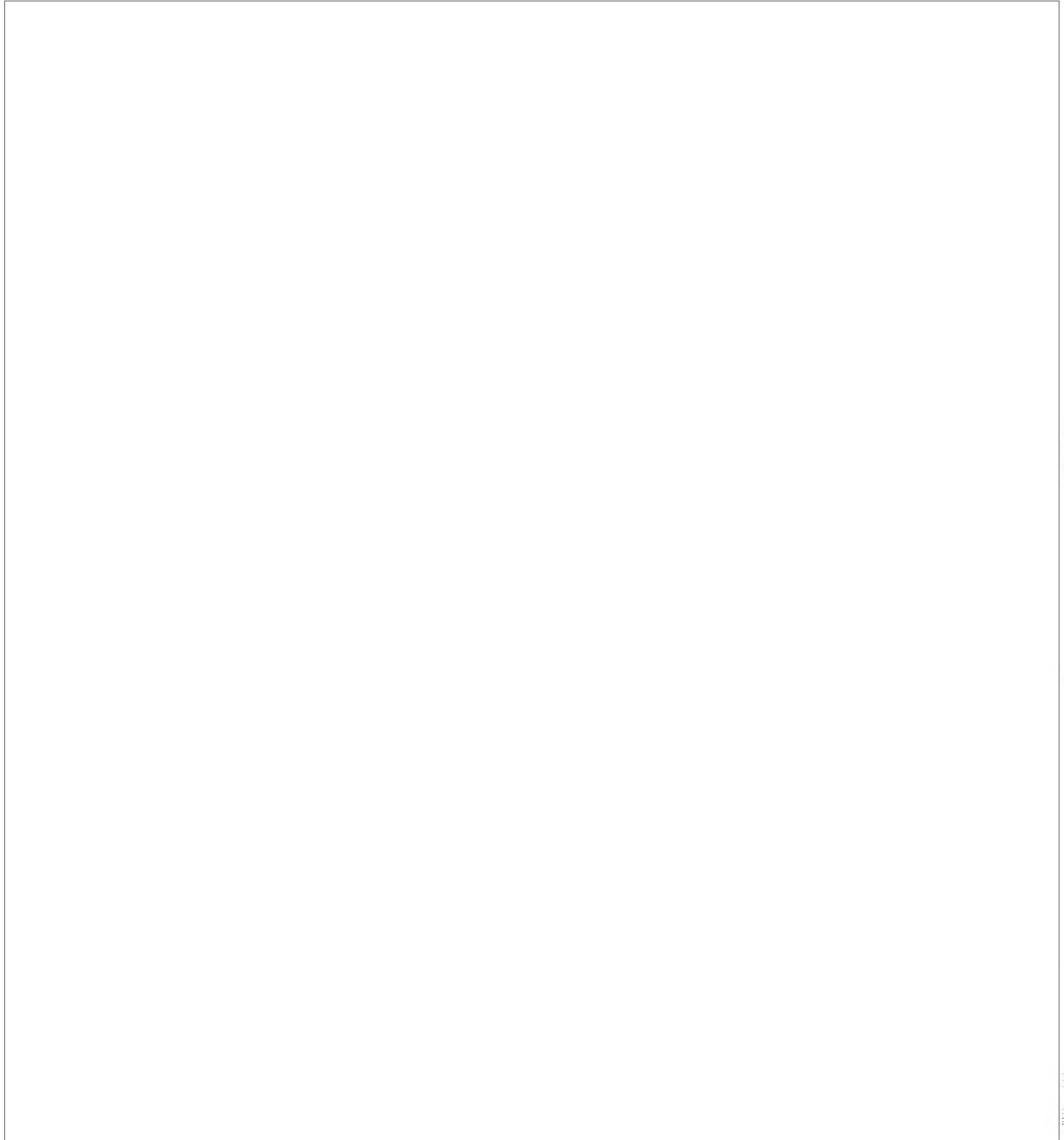
Communist China's first big wheat purchase for 1964 delivery was for 1.1 million tons from Australia. Peiping also is buying at least 300,000 tons from Argentina and apparently as much from Mexico. It also will soon conclude a contract for Canadian wheat under its agreement covering the import of up to 5 million tons from mid-1963 to mid-1966. Smaller purchases may be made elsewhere, as Peiping apparently will need more than the 5.5 million tons of grain it imported this year to maintain per capita consumption at the same level.

Most of the Soviet grain imports are being paid for in cash. The large Canadian deal contains credit terms, but Moscow has boggled at current interest rates. The satellites, with fewer cash resources, are seeking to defer payment as long as possible. Peiping has bought on credit where available, but is prepaying its grain debts.

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The Communist World



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PRESIDIUM OF THE COMMUNIST PARTY OF THE SOVIET UNION

<u>Full Members</u>	<u>Age</u>	<u>Positions</u>	<u>Probable Areas of Responsibility (Not Necessarily Complete)</u>
Khrushchev	69	Party First Secretary Premier Chairman, RSFSR Party Bureau	Party and government head
Brezhnev	57	Party Secretary Titular head of state	Party second-in-command
Voronov	52	RSFSR Premier	Government affairs of the Russian Republic
Kirilenko	57	First Deputy Chairman, RSFSR Party Bureau	RSFSR party-industrial affairs
Kozlov	55	Party Second Secretary	Incapacitated
Kosygin	59	First Deputy Premier	Domestic economic affairs
Kuusinen	82	Party Secretary	CPSU relations with foreign Communist parties
Mikoyan	68	First Deputy Premier	Senior adviser to Khrushchev, particularly in fields of foreign affairs and foreign trade
Podgorny	60	Party Secretary	CPSU relations with foreign Communist parties (?)
Polyansky	45	Deputy Premier	Government agricultural affairs
Suslov	61	Party Secretary	CPSU relations with foreign Communist parties Coordination of world Communist movement
Shvernik	75	Chairman, Party Commission	Heads trial board concerned with infractions of party discipline

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The Communist World



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The Communist World

CZECHOSLOVAK LEADER NOVOTNY STILL IN TROUBLE

Circumstances surrounding Czechoslovak party boss Novotny's recent trip to Moscow and the low-key propaganda treatment it received suggest that he is no longer in good standing with the Soviet leadership. Whatever the reason for his trip, Novotny did not receive the public endorsement from Khrushchev usually accorded a favored leader of Novotny's rank. Novotny particularly needs open Soviet backing at this time as he struggles to maintain control over dissident elements in the Czechoslovak party.

The official party-state delegation--the first from Prague to Moscow since 1958--consisted of the new premier, Jozef Lenart, and several high-level economic officials.

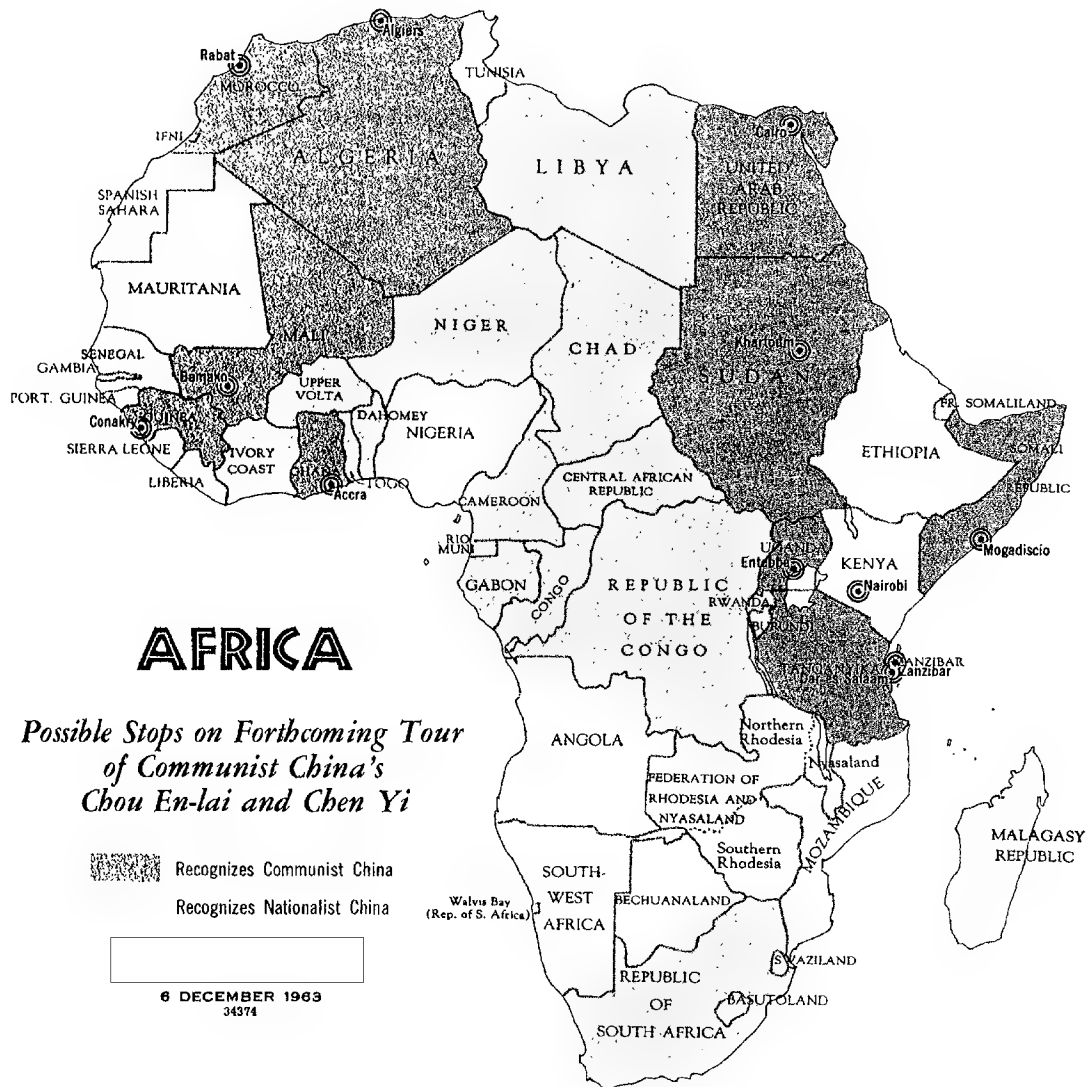
The official business of the delegation apparently was primarily economic, as several economic agreements were signed--none of which was important enough to warrant Novotny's presence. However, the delegation also signed a 20-year extension of the Soviet-Czechoslovak Friendship and Mutual Assistance Pact, and this event probably was arranged to provide an excuse for Novotny's presence. The pact would technically have expired on 12 December, but its self-renewing clause would have extended it another five years automatically and precluded any real need to sign new documents.

Soviet reporting on Novotny's quick trip-

was considerably less than that given the Czech leader's 1958 visit and still less than that given the visit by Hungary's Kadar in July. A joint communiqué issued on 28 November contained none of the standard praise for Czechoslovakia's "progress" or the party's leadership abilities.

It seems likely that Novotny was summoned to Moscow because of his inept handling of the challenge to his power which has developed within his party during past months. Khrushchev's failure to give him public backing is likely to be interpreted by the opposition in Prague as tacit support for its efforts to unseat the Czechoslovak leader.

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The Communist World

PEIPING LAUNCHES NEW CAMPAIGN IN AFRICA

Communist China's Premier Chou En-lai and Foreign Minister Chen Yi will begin an unprecedented tour of Africa in mid-December designed to drum up support for Peiping's hard-line programs and to promote a second Bandung Conference. No other major world power has ever sent two such high-ranking officials on a grand tour of the continent.

For the Chinese, too far away for effective military meddling and unable to afford a large-scale economic assistance program for Africa, a barnstorming expedition by Peiping's suavest and most adroit leaders would seem the only way of rallying Afro-Asian support. Chou and Chen can be expected to argue persuasively for a second Bandung Conference and to attempt to gain support for a militant race-oriented struggle against "colonialism" and "US imperialism."

The two-month trip will reportedly include visits to Guinea, Ghana, Mali, Algeria, Tanganyika, the Somali Republic, and the UAR. They may also visit the other African countries with which Peiping has diplomatic relations--Morocco, Uganda, and the Sudan. A stay in Albania is apparently scheduled, and an official visit to Pakistan on the way home is probable. Peiping has made no formal announcement of the trip and full details of the itinerary are not yet available.

Chen is apparently scheduled to reach Africa first. He will

attend the independence celebrations in Kenya on 12 December and possibly those in Zanzibar two days earlier. Like other former British colonies in East Africa, both these countries are expected to recognize Peiping, and the Chinese foreign minister's presence would probably expedite such action.

Chou En-lai will ostensibly be returning state visits by numerous African leaders to Peiping in recent years, and a general aura of high-powered public relations will surround much of his activity in this area where Peiping has been competing with the Soviet Union for influence. He will arrive in Cairo on 14 December at the head of a 50-man delegation. Chen Yi will probably meet Chou here to take part in serious substantive discussions which are likely to center on the continuing Sino-Indian border impasse. The UAR was one of India's staunchest supporters during the Colombo conference mediation efforts late last year. Chinese efforts to get backing for a second Afro-Asian meeting on the Bandung pattern are likely to be parried by Nasir who, with Tito, has been a leading proponent of a nonaligned summit conference even broader than the 1961 Belgrade meeting.

Another stop of major importance will probably be Algeria. In recent months the Chinese have made a big play for closer contacts with the Ben Bella regime. Five separate Chinese delegations attended Algerian National Day celebrations this fall, and the Chinese recently granted the Algerians a \$50-million interest-free loan.

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Asia-Africa

HANOI REVIVES NEUTRALITY SCHEME FOR SOUTH VIETNAM

The North Vietnamese are again pushing the idea of a "neutralized" South Vietnam, apparently in the hope of generating free world pressure for a negotiated settlement of the Vietnamese war. Hanoi probably estimates that such pressure would eventually force the US to reconsider its policy of full military support for the anti-Communist forces in South Vietnam. The last such North Vietnamese campaign occurred early in 1962 when Hanoi sought to broaden international sentiment for a settlement of the Vietnamese war along lines then being proposed for Laos.

There is no indication that Hanoi is as yet willing to make any meaningful concession in its oft-proposed terms for a settlement. It continues to maintain, for example, that all US forces must be withdrawn from South Vietnam before even a cease-fire. It has also declared that a "coalition" government--in its view, one open to Communist domination--must be formed prior to any neutralization arrangement.

The latest North Vietnamese neutrality proposals have been directed primarily at Laos, Cambodia, and France.

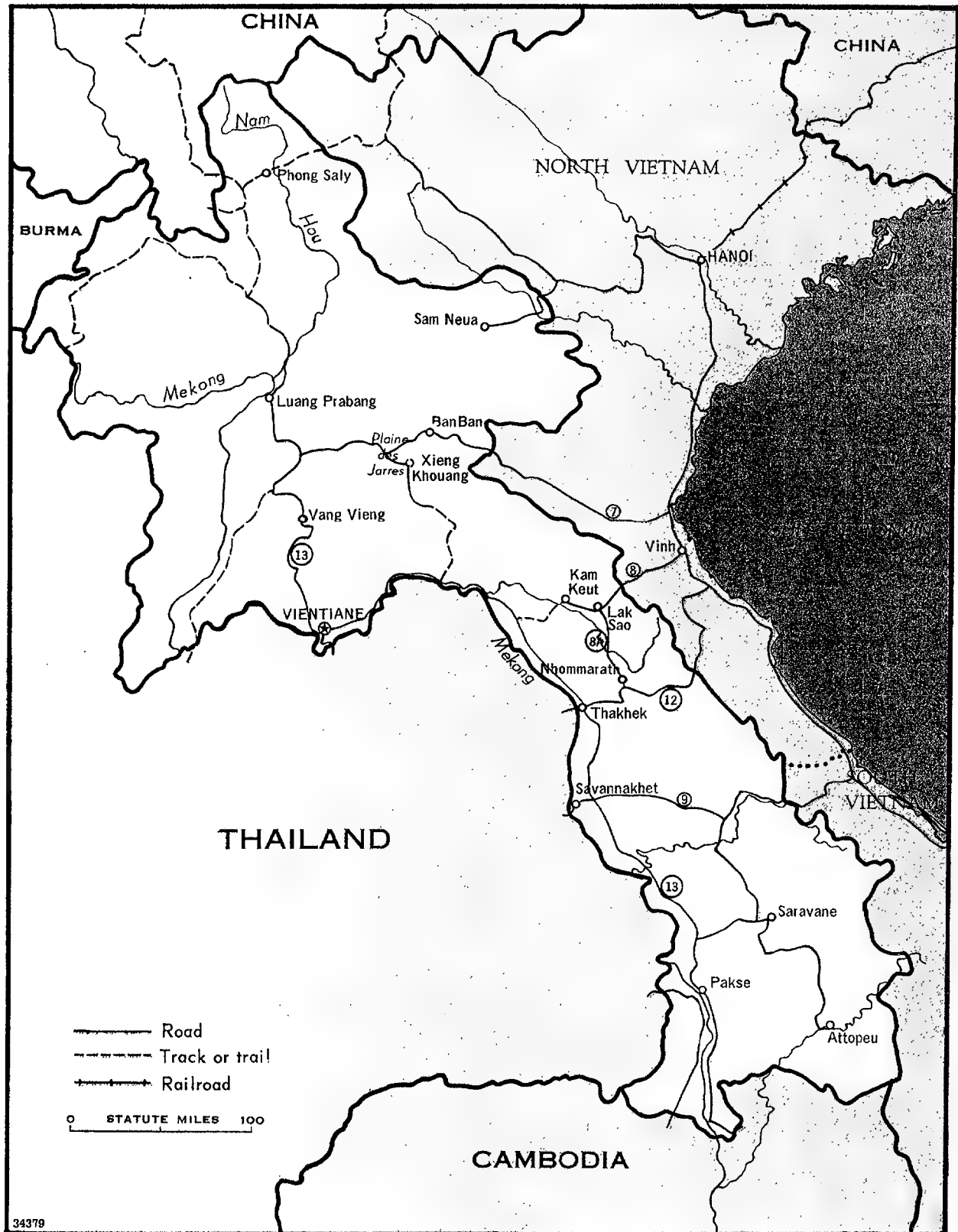
Hanoi also voiced swift approval of Prince Sihanouk's recent proposal for new discussions aimed at guaranteeing Cambodia's neutrality by the signatories of the Geneva Accords. The Communists probably hope to use such a conclave as a sounding board for discussing South Vietnamese neutralization--a proposal Sihanouk has frequently endorsed.

For the first time in over a year, moreover, the Hanoi-controlled National Front for the Liberation of South Vietnam has publicly reiterated its support of a three-country neutrality plan similar to that proposed by Sihanouk. The Front's proposal promptly received official North Vietnamese endorsement.

Hanoi has allegedly stressed the importance of a change in US policy toward South Vietnam in connection with its willingness to "negotiate" a settlement of the war.

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LAOS



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Asia-Africa

AREA NOTES

Laos: Right-wing and neutralist forces are continuing to exert pressure on Pathet Lao units in central and northern Laos. Neutralist forces which recently captured Vang Vieng have advanced 16 miles farther north and now control strategic Route 13 from the capital to this point. In central Laos rightist troops have captured Kam Keut, a Pathet Lao strong point at the western end of Route 8. These forces, reinforced by an airborne battalion from Savannakhet, have advanced toward Lak Sao, a depot on the Communists' supply route to the Nhommarath region. Right-wing regular and guerrilla forces on the Plaine des Jarres are continuing to subject nearby Xieng Khouang town to heavy artillery bombardment, but the Pathet Lao and dissident neutralist troops apparently are holding their positions.

Pathet Lao propaganda has strongly protested these military moves. On 30 November, General Singkapo, the Communist military commander, charged that the US and the rightists were attempting to sabotage current neutralist - Pathet Lao negotiations and warned that the rightists would be held "fully responsible for the consequences." The latest talks, on 3 December, between neutralist commander Kong Le and Singkapo ended in an angry exchange of recriminations. Nevertheless the Pathet Lao thus far have not attempted major military counteraction, and still seem interested in arranging talks between Premier Souvanna and their leader Souphannouvong. In view of continuing reports of supply convoys moving into Laos from North Vietnam, however, the Communists clearly are at least retaining their capability for major military initiatives at a time of their choosing.

Turkey: A substantial victory by the opposition Justice Party (JP) in last month's local elections dealt the final blow to Turkish Prime Minister Inonu's coalition government. Both the minor coalition parties decided to withdraw, in the belief that their association with Inonu had cut deeply into their popular support, and Inonu resigned on 2 December.

The JP, heir to the ousted Menderes regime and distrusted by Turkish military leaders, now appears likely to re-enter the government. This will involve

some compromise between JP leaders, many of whom prefer to continue to build their strength on the outside, and the military, who, despite their anti-JP feelings, are reluctant to take over the government.

There remains the possibility, however, that the JP will press its political advantage beyond acceptable limits and precipitate an army take-over. In any event, a period of intense political maneuvering lies ahead, which may bring in some less controversial figure than Inonu as head of the government.

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Asia-Africa

CYPRUS FACES CONSTITUTIONAL CRISIS

The three-year-old dispute between Greek and Turkish Cypriots over interpretation and implementation of their republic's constitution has entered a new phase which has sharply increased tension between the two communities.

On 30 November Greek Cypriot President Makarios presented Turkish Cypriot Vice President Kuchuk with a 22-page memorandum containing 13 suggested changes in the constitution, which would have the over-all effect of diminishing the rights of the Turkish minority. Among the proposals were elimination of the presidential and vice presidential veto powers, abolition of the provisions requiring separate majorities by Greek and Turkish Cypriots for enactment of certain laws, establishment of unified municipalities, unification of the administration of justice, and modification of the provisions now calling for a 70:30 ratio between Greek and Turkish Cypriots in the civil service to reflect the actual (approximately 80:20) ratio between the two ethnic groups.

The reaction in Ankara, however, will largely determine the final attitude of the Turkish Cypriot leadership. Turkish Government leaders have been adamantly opposed to any fundamental change in the Cypriot constitution. The current political crisis in Ankara makes major concessions on Cyprus at this time highly unlikely.

Should the Turkish Cypriots eventually reject his memorandum, or present unacceptable counterproposals, he has warned that he will act unilaterally, if necessary, to void those provisions he regards as harmful.

Well-trained paramilitary organizations reportedly exist in both communities. While leaders of these organizations have indicated their reluctance to initiate hostilities, these well-armed irregular forces might be brought into action, if discipline among the integrated police and gendarmerie forces breaks down in the face of isolated acts of violence.

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Asia-Africa

POWER STRUGGLE CONTINUES IN IRAQ AND SYRIA

Political alignments in both Syria and Iraq continue to shift rapidly as contending factions compete for power, and sudden upheavals are possible in both countries. Reactions in either country to events across the border are likely to complicate the picture further.

In Iraq, anti-Baathist officers and members of the government have begun to eliminate Baathist influence in the regime. The minister of communications, a leader of the moderate faction of the Baath Party, has been eased out of office and exiled to Beirut with several associates. Baathist Vice President Bakr is also said to be leaving the country. Hardan Tikriti, a strong Baathist who heads the Defense Ministry, has requested a British visa.

Pressures for a move against Baathists still holding positions of power have been growing among "Arab nationalist army officers and government officials desiring closer relations with Cairo. President Arif has apparently acquiesced in the action against the Baath, but his role in the move is not yet clear.

The anti-Baathist faction now appears to have the upper hand, but the fate of 4th Division Commander Nasrat, a dedicated Baathist, is not certain. He reportedly has surrounded

Baghdad with troops in the expectation of a showdown. If he still retains his command, he may attempt to redress the present situation.

A decay of the Baathist position in Iraq is almost certain to undermine further the position of the party in Syria, where Premier Hafiz, a military member of the Baath international command, appears on the verge of breaking with party extremists. He reportedly has halted the activities of the national guard--the Baath's paramilitary wing--and is casting about for support from traditional Syrian political elements, as well as from the military. Several conservative politicians have been freed from custody in the past few days.

While Hafiz' actions are reported to have infuriated doctrinaire Baathist Major General Umrán, who is deputy premier, Interior Minister Atasi, a long-time party member, is said to have resigned and to have denounced Umrán as well as Hafiz as opportunists. Umrán has not been seen for several days, and there are rumors that Hafiz is attempting to remove him from his position. Baath' Party founders Aflaq and Bitar have asked for visas to go abroad, and the US Embassy believes that a coup is developing.

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Asia-Africa

YEMENI DISENGAGEMENT PLAN IN TROUBLE

The disengagement plan for Yemen is threatening to break down on 4 January, the date the latest extension of the UN observation mission there expires.

In the five months the plan has been in effect, Nasir has failed to make any net reduction in Egyptian troop strength in Yemen. In late October he [redacted]

[redacted] that he would attempt to withdraw 5,000 troops by 31 December. However, over-all strength remains between 30,000 and 32,000. Nasir would presumably like to reduce his commitment in Yemen--which has cost him an estimated \$50 million--but is afraid the republican regime would collapse without heavy Egyptian support.

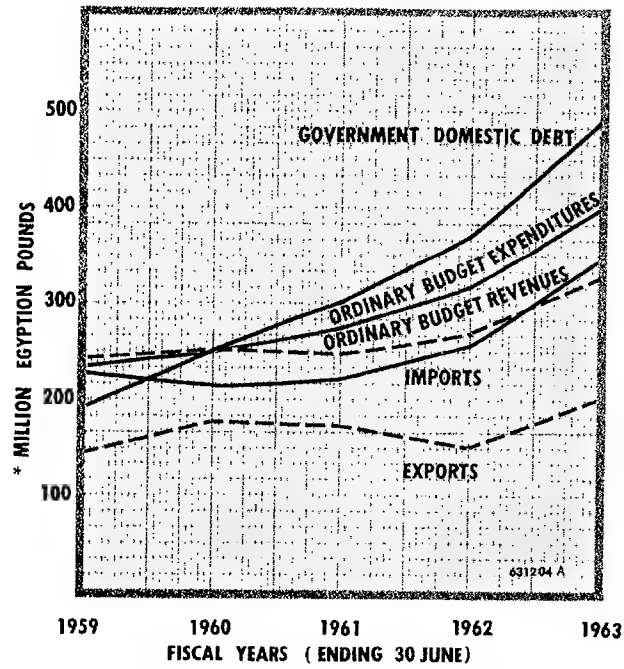
It is increasingly unlikely that Saudi Arabia will agree to another extension of the UN Mission, and Crown Prince Faysal probably will resume supplying arms and ammunition to the Yemeni royalists after 4 January. Several thousand rifles and several million rounds of ammunition have already been stockpiled in the border area ready to be handed to the tribes on short notice.

Efforts to broaden the base of the Yemeni republican regime have not moved forward, primarily because Nasir is apparently not yet ready to make the compromises necessary for a resolution of the stalemate.

Cairo is apparently fearful that a broadened Yemeni government would mean a reduction or even elimination of Egyptian influence, since many of those republican leaders who command any significant following tend to be anti-Egyptian. [redacted]

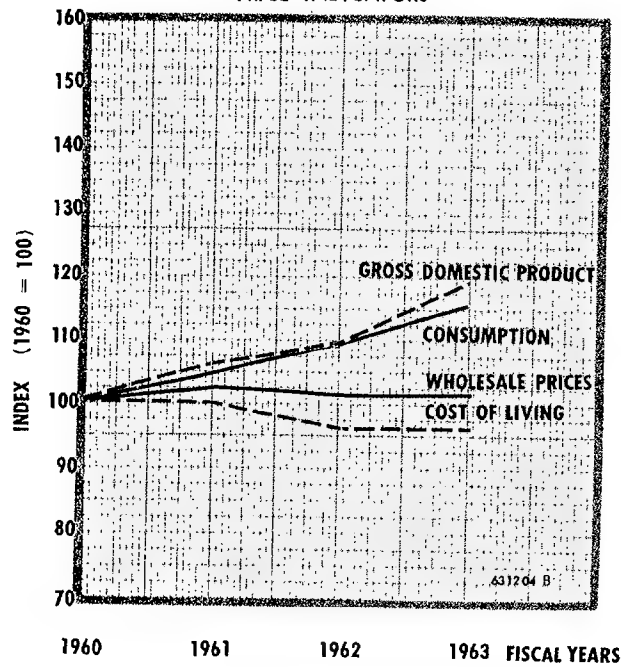
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EGYPT'S DEVELOPING DOMESTIC DEBT



* The Egyptian pound is currently valued at \$2.30

EGYPTIAN OUTPUT, CONSUMPTION, AND PRICE INDICATORS



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Asia-Africa

EGYPTIAN ECONOMIC POLICY MAY BE CHANGING

Economic realities may be forcing Egypt to modify its long-standing policy of improving living standards while keeping prices and taxes at minimum levels.

Although actual changes have been slight, Egyptian budget data suggest that more extensive innovations are planned in what is probably a reluctant response to the severe strains affecting the Egyptian economy. The pattern of change appears also to conform at least in part to recommendations made by Western lending institutions and, although the shifts may be intended as stopgap measures, the long-range requirements for foreign money could make them longer lasting.

In recent years Egypt has greatly increased personal incomes and kept personal taxes low while using subsidies to maintain price stability. This policy has resulted in a continuing foreign trade deficit and a ballooning domestic debt.

The budget for the current fiscal year suggests that Egypt is shifting its approach. Allocations for consumer subsidies have dropped by more than 10 percent, instead of increasing as in recent years. Budgeted tax yields, almost unchanged in the recent past, are programed to increase almost 12 percent; the income and property tax category shows a jump of almost 20 percent.

A series of articles in a semiofficial Egyptian newspaper has underscored the economic drain caused by heavy consumption. The reader was exhorted to understand that imports must be cut and consumption of domestic products reduced so that more could be exported. In mid-November, a government-sponsored conference adopted resolutions urging that development projects be financed through such media as social insurance payments and price adjustments. These press reports appear to presage even stricter import controls, higher prices, and enactment of some form of social security tax to supplement government revenues.

Inasmuch as Egyptian foreign currency reserves are negligible, the government has been anxiously seeking Western loans to cover the trade gap. All Western leaders support recent advice from the International Monetary Fund which included recommendations that Egypt raise taxes, reduce subsidies, and allow prices to rise. If development plans are to be implemented, sizable injections of outside funds will be required for many years to come. Self-interest, therefore, appears to dictate continued adherence to the main lines of the IMF's strictures, but any sharply adverse political repercussions might still turn Nasir back to his old ways.

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Asia-Africa

BRAZZAVILLE GOVERNMENT TO HOLD ELECTIONS

The political situation in Congo (Brazzaville) remains confused and highly unstable as moderate Premier Massamba-Debat's ineffectual provisional government prepares for the 8 December vote on its new draft constitution and unopposed national legislative slate. There is no clear indication of who will emerge in charge of the postelection government, but it seems likely to be strongly influenced by the leftist youth and labor elements which spearheaded the overthrow of conservative President Youlou last August.

An electoral college is to convene on 19 December to fill the presidency--evidently planned to be the most powerful executive position. Although Massamba has not taken a strong hold on the provisional government, his superior prestige may secure his election.

At least some of the leftist labor and youth leaders who chose to exert their influence on the provisional government from behind the scenes now have evidently decided to claim official positions. The slate of candidates for the new 55-member National Assembly includes the names of several of the more prominent leftists.

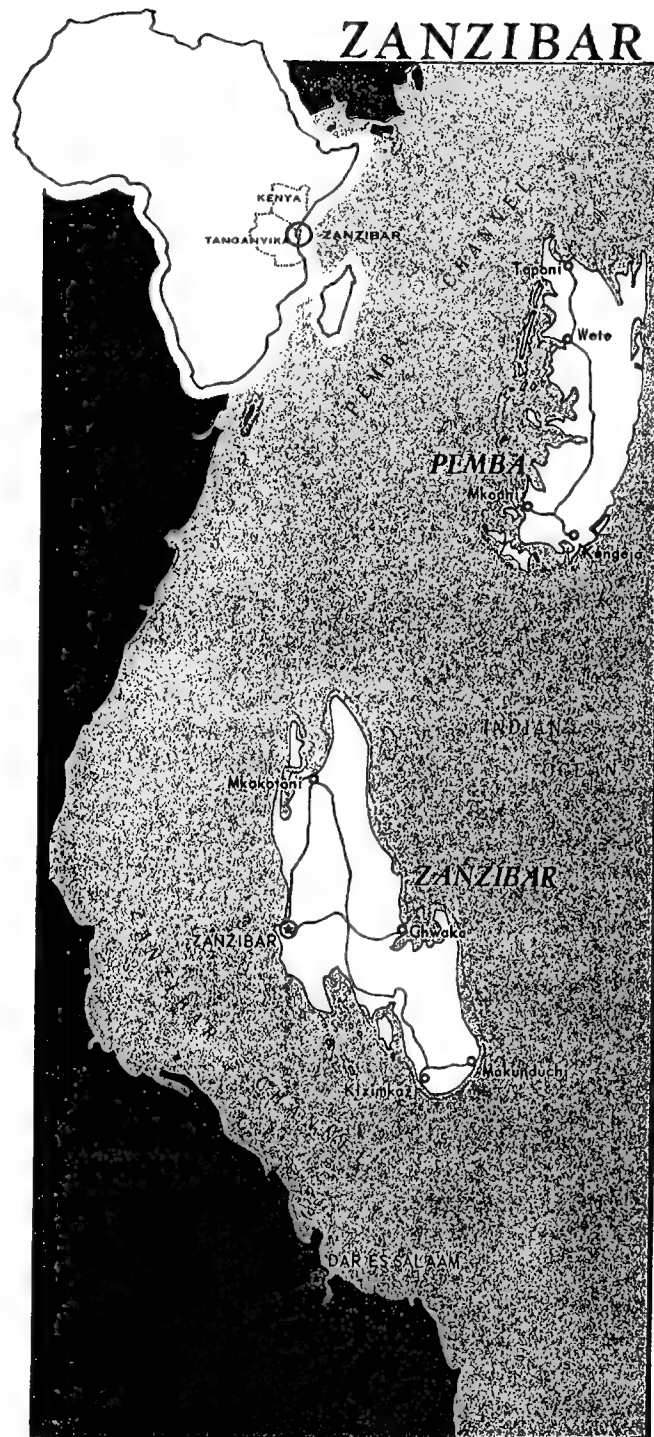
Much depends at this stage on the attitude and behavior of

the military leaders, who since August have been the ultimate political arbiters in Brazzaville. While most of them apparently continue personally to favor Massamba-Debat, their willingness to buck the leftists has become more doubtful. While the military would probably act to thwart any coup attempt, they are unlikely to play a strong positive political role, and recent instances of indiscipline among enlisted men cast considerable doubt on the army's real effectiveness.

After the elections the leftists may induce the new government to adopt a more receptive attitude toward the Soviet bloc. This may lead to the early establishment of bloc diplomatic missions in Brazzaville. It is unlikely, however, that the Congolese will turn abruptly away from the French, on whom they are overwhelmingly dependent economically.

Present influence of the local leftists on Massamba-Debat is reflected in the rather free-wheeling activities of the sizable group of extremist exiles from Leopoldville who have since October been using Brazzaville as a base of operations against Premier Adoula. The exiles are being provided sanctuary, protection, and some direct support by elements associated with the provisional government. The exiles claim they have been promised even freer rein after the election--a development which would exacerbate frictions between the Brazzaville and Leopoldville governments.

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Asia-Africa

ZANZIBAR FACES INCREASING COMMUNIST ACTIVITY

The British protectorate of Zanzibar--consisting of the islands of Pemba and Zanzibar --will attain independence on 10 December. At the outset, the new nation faces increasing Communist activity, along with racial rivalries, a shaky economy, and chronic political instability.

Zanzibar traditionally has been governed by a Sultan--who remains the country's constitutional ruler--and is dominated by its 50,000 Arabs, who constitute only one sixth of the total population. They run the agricultural economy, which is based on production of 80 percent of the world's cloves and is headed for serious decline in view of dwindling foreign demand. Arabs also lead the Zanzibar Nationalist Party (ZNP), which controls the government in a coalition with a smaller party, even though the African opposition Afro-Shirazi Party polled 54 percent of the vote in last July's elections.

The leadership of both major parties is predominantly anti-Communist, but it has appeared unable or unwilling to oppose the extensive growth of Communist contacts and commitments undertaken by the parties' youth wings and labor unions. Many leaders have visited Eastern Europe and China for tours or short training courses. There are about 120 Zanzibaris studying in the bloc, including 17 guerrilla trainees in Cuba. Zanzibar's bookshops are well stocked with Communist publica-

tions, the sale of which provides part of ZNP's income.

International communism has shown far greater interest in the islands than their relative unimportance in Africa would seem to warrant. Both the Soviet bloc and Communist China have tried to establish a wide range of contacts and a fund of goodwill, but the total impact has been scattered and superficial.

The most active and influential Communist is Abdulrahman Mohammed, generally known as "Babu." He represents the New China News Agency and was general secretary of ZNP until last June, when he quit to form his own party. He had provided ZNP's labor union and youth wing with many links to international Communist organizations. So far he has had only limited success in attracting the extremists of other parties and uniting the firebrands, political malcontents, and Communist sympathizers in the labor unions.

There also are hopeful signs of a decreasing complacency on the part of Zanzibari government leaders, especially the dominant figure, Ali Muhsin Barwani, who is minister of external affairs and trade. Barwani has pushed bills through the National Assembly allowing the government to prohibit any publication and outlaw any organization deemed prejudicial to the maintenance of public order.

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THE NEW ITALIAN CABINET

The four coalition partners are the Christian Democratic Party (CD), the Socialist Party (PSI), the Social Democratic Party (PSDI), and the Republican Party (PRI).

Premier	Aldo Moro (CD Center)
Vice Premier	Pietro Nenni (PSI)
Minister of Foreign Affairs	Giuseppe Saragat (PSDI)
Minister of Defense	Giulio Andreotti (CD Extreme Right Wing)
Minister of the Budget	Antonio Giolitti (PSI)
Minister of Finance	Roberto Tremelloni (PSDI)
Minister of the Treasury	Emilio Colombo (CD Center)
Minister of Interior	Paolo Taviani (CD Center)
Minister of Justice	Oronzo Reale (PRI)
Minister of Education	Luigi Gui (CD Center)
Minister of Public Works	Giovanni Pieraccini (PSI)
Minister of Agriculture	Mario Ferrari-Aggradi (CD Left Wing)
Minister of Transport	Angelo Jervolino (CD Center)
Minister of Post and Telecommunications	Carlo Russo (CD Center)
Minister of Industry	Giuseppe Medici (CD Center)
Minister of Labor	Giacinto Bosco (CD Left Wing)
Minister of Foreign Trade	Bernardo Mattarella (CD Center)
Minister of Merchant Marine	Giovanni Spagnoli (CD Center)
Minister of State Participation	Giorgio Bo (CD Left Wing)
Minister of Health	Giacomo Mancini (PSI)
Minister of Tourism	Achille Corona (PSI)
Ministers without Portfolio	Attilio Piccioni (CD Right Wing) Giulio Pastore (CD Left Wing) Luigi Preti (PSDI) Umberto Delle Fave (CD Center) Carlo Arnaudi (PSI)

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Europe

GOVERNMENT FORMED IN ITALY

A center-left cabinet--bringing the Socialist Party into the government--has been formed in Italy by Christian Democrat Aldo Moro after nearly a month of difficult negotiations. It is expected to seek a vote of confidence within the next few days.

The major part of the government program is concerned with economic reforms. Nevertheless, the short-range program appears to have been aimed partly at reassuring conservative business interests, which have been fearful that a center-left government would concede too much to the "Marxist" viewpoints of the Socialists. The four parties making up the coalition, it is stipulated, "do not foresee nationalization measures."

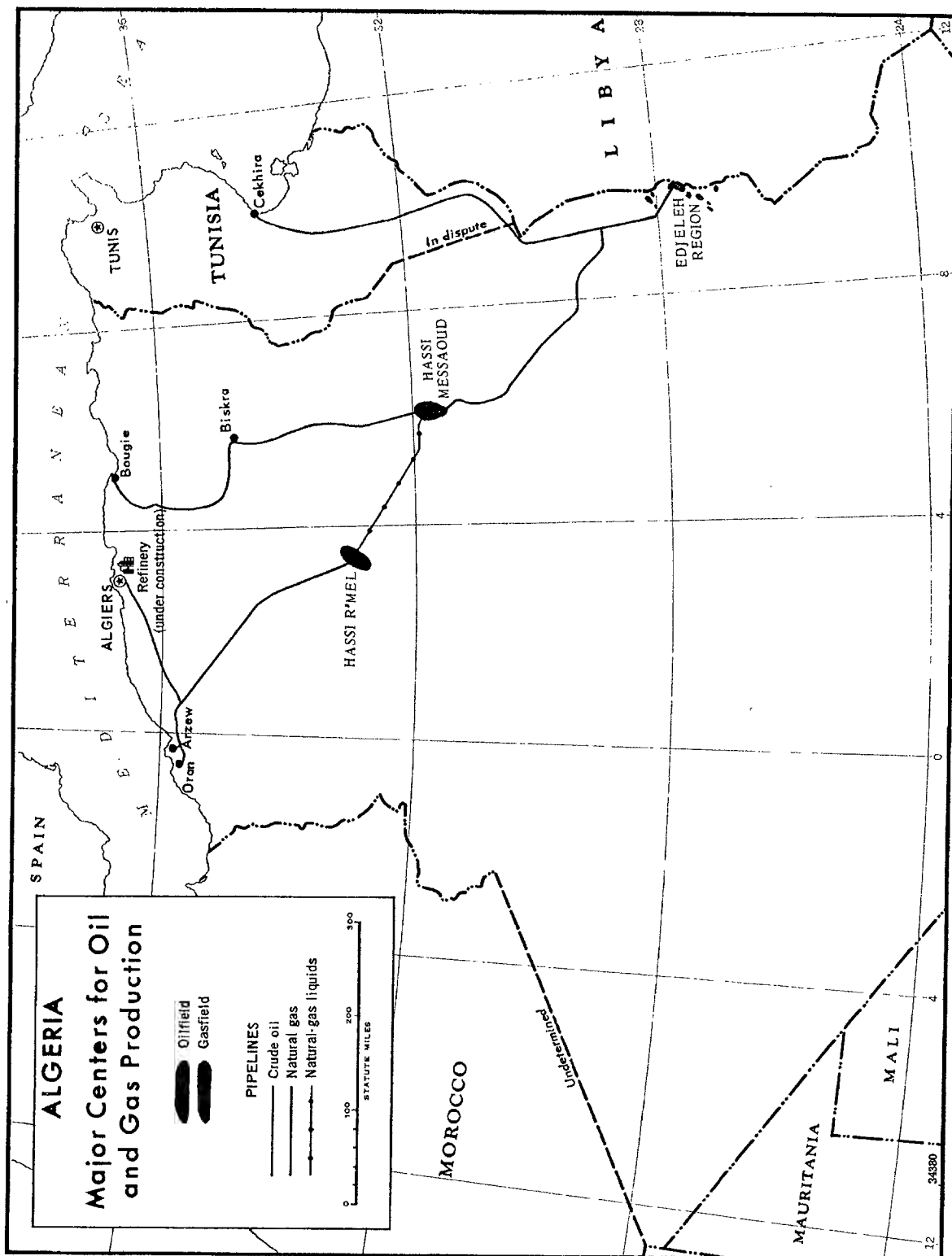
Much emphasis is placed on the need to develop economic planning. In the foreseeable future, however, this planning is apparently not to go beyond the methods followed in a capitalist society such as France. That is, it seems not to envisage subjecting individual business firms to compulsion, but rather implementing the national plan by means of government initiatives in such areas as public investments, loans, subsidies, and tax exemptions.

To curb inflation, the coalition agreement envisages such measures as a temporary freeze on new public expenditures and an effort to hold wage increases roughly in line with productivity gains. The agreement carefully avoids, however, any appearance of opposi-

tion to "fair" wage demands, and it suggests that credit restrictions will not be applied so strongly as to curb "productive" investments. It implies that upper-income groups will be expected to take on a greater share of the nation's tax burden, but there are no overtones of a soak-the-rich program. The agreement thus shows the hand both of those regarding inflationary pressures as the primary economic concern and those seeing them as secondary to reforms of Italy's economic structure. Hence the outlook is for considerable friction within the coalition when it tries to translate general principles into specific implementation.

Moro's announcement of a cabinet list had been postponed several times, largely as a result of differences over who would fill the economic ministries. The Socialists had been threatened with a revolt by the important Lombardi faction unless the party was given one of the three major economic posts. This problem was resolved by allotting the Budget Ministry to a Lombardi associate. A Social Democrat was given the Finance post, and Treasury went to a Christian Democrat. Continuation of Giulio Andreotti in the Defense Ministry gives a certain vested interest in the government to the right wing of the Christian Democratic Party, which has generally opposed the party's center-left policy. Social Democrat Giuseppe Saragat, who became foreign minister, is generally considered one of Italy's most pro-US political leaders.

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Europe

FRENCH-ALGERIAN DISPUTE OVER SAHARAN OIL CONCESSIONS

Recent negotiations between France and Algeria cast doubt on the future of France's Saharan oil and gas concessions. At issue are the questions of Algeria's share of oil concession profits, the transfer of oil profits out of Algeria, and the financing of transport facilities for petroleum. President Ben Bella has indicated that, while he does not plan to nationalize France's Saharan concessions, he does want a renegotiation of the 1962 Evian accords which ended the war in Algeria and which govern French oil activities there.

Paris' most recent concern arises from the Algerian reaction to a request by Trapal, an international consortium including companies in which the French Government has an interest, for permission to build a \$72-million oil pipeline from the Hassi-Messaoud oil fields to Arzew on the Mediterranean (which would follow the route of an existing gas and gas-liquids pipeline). Algeria rejected the consortium's offer of a 20-percent share in the project and demanded 51 percent.

Fearing that granting Algeria controlling interest in this pipeline would jeopardize French control of other oil transportation facilities, Paris vigorously opposed the Algerian counterproposal and took steps to nullify possible Algerian overtures to other EEC countries for financing. Algeria is apparently determined nevertheless to gain a controlling interest and has already obtained agreement from Kuwait to lend \$26.8

million. If Algeria elects to use these credits to start construction of the pipeline, there is little the consortium could do to stop it. In this event, France's chief concern would be to see that the concessionaires' right to transport oil through the new pipeline is protected. If an agreement on rates cannot be reached, they would have recourse to arbitration under the provisions of the Evian accords.

Algerian oil revenues are expected to total \$50 million in 1963, and Ben Bella has indicated that he wants a greater share. In addition, Algeria has instituted exchange controls which may prevent the oil companies from exporting their earnings outside of Algeria. France might grant Algeria a larger share of oil revenues, but is unlikely to accept the exchange controls on earnings.

Paris has indicated that its aid program hinges on noninterference with the French-dominated companies' exploitation of Saharan oil and gas. Since official French aid is expected to total \$260 million in 1964, the threat of a cutback is likely to forestall nationalization, but might not prevent less drastic measures. Algeria may also be disinclined to undercut the concessions because of its hope to persuade France and other Western European nations to finance a trans-Mediterranean gas pipeline. French officials have suggested that a prerequisite to any such undertaking would be confirmation of previous Saharan oil accords.

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Europe

RENEWED DISCUSSION OF EUROPEAN POLITICAL UNION

A revival of interest in European political union has been evident among the Common Market (EEC) countries in recent weeks, but the obstacles to agreement on any particular form of organization continue to be formidable.

In the face of appeals from various quarters for new initiatives toward political integration, Belgian Foreign Minister Spaak came up with a concrete proposal on 19 November for a European political commission. From Spaak's viewpoint, such a commission--comparable to the executive commission of the Common Market--would provide a forum for a "dialogue" among the national governments on political, military, and cultural problems. It would represent, he feels, a compromise between the concept of a supranational European federation--which he still favors as an ultimate goal--and a union of sovereign states.

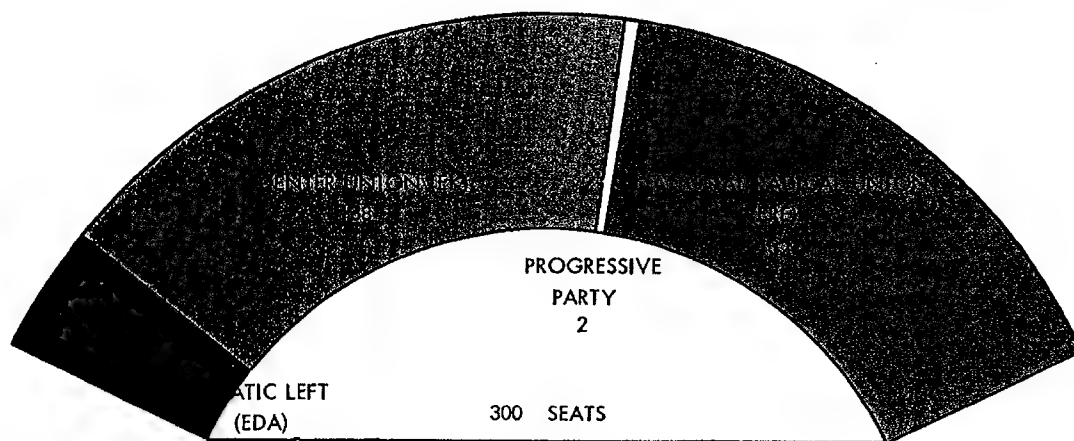
Spaak first made this suggestion in August 1962, and was probably encouraged to reoffer it now in the belief that the French may have become more accommodating in their views. He is also convinced that economic integration cannot proceed much further without a parallel political advance. In omitting this time the reference usually made by Benelux leaders to Britain's participation in any new negotiations, Spaak probably felt that London's inability to do so should not prevent an attempt to move ahead now and to take advantage of any new French flexibility.

The responses to Spaak's proposal have not been favorable. The Dutch were displeased by his failure to mention British participation, and the Italians reportedly are jealous because they continue to see themselves in the role of conciliator among the Six. Spaak's plan reportedly was not mentioned at the recent De Gaulle - Erhard talks, and the French Foreign Ministry is reported to be unimpressed.

Despite the coolness toward Spaak's specific proposal, the subject of Europe's political unity is likely to remain alive. Erhard, for example, has talked increasingly of the need for action although he has so far advocated no definite program. A meeting of Christian democratic parties of the EEC countries on 10 December is to discuss possible initiatives on their part toward political integration.

De Gaulle probably feels that any new moves on his part--given the previous failure of his plan for a loose political grouping--would not be favorably received by the rest of the community. The impression persists, however, that France is not averse to other EEC members taking the lead, and may, indeed be encouraging them to do so. Moreover, should the current EEC negotiations on agriculture and the "Kennedy tariff round" be successful, the resulting atmosphere would be much more conducive to consideration of political union proposals than has been the case for more than a year.

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GREEK CHAMBER OF DEPUTIES
(Following 3 November 1963 Election)

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Europe

AREA NOTES

CSC: The Council of Ministers of the Coal-Steel Community postponed a formal decision to raise steel tariffs at its 2 December meeting, but left the way open for such an increase a month hence. A majority of the six members--including France and West Germany--favored a Community-wide increase to the Italian level, which is the highest in the CSC; but the required unanimity was lacking because of strong Dutch opposition and the inability of the Italian delegate to take a stand. The CSC president was authorized to consult bilaterally with the US, the UK, Japan, and other countries which would

be affected by a later decision to raise tariffs. Some CSC and French officials interpret Dutch willingness to go along with these consultations as a "decision in principle" ultimately to approve a rise in tariffs.

In another move suggesting a generally restrictionist outlook, the ministers approved, subject to consultation, a \$10 per ton duty on pig iron imports, replacing the present ad valorem rates which are lower. By approving supplementary quotas on steel and pig iron, they also agreed to continue to restrict imports of these items from the bloc.

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RESULTS OF VENEZUELAN ELECTIONS, 1 DECEMBER 1963

Party	Candidate	% of Vote*	Candidate in 1958 Election	% of Vote
Democratic Action (AD) Party	Raul Leoni	34	Romulo Betancourt	49
Social Christian Party (COPEI)	Rafael Caldera	24	Rafael Caldera	16
National Unity Front (FUN)	Arturo Uslar Pietri	17	--	
Republican Democratic Union (URD)	Jovito Villalba	16	Wolfgang Larrazabal	35
Others	--	9	--	

*Based on unofficial press service returns of about 90 percent of the estimated total vote. Final tabulations probably will show lower figures for Leoni and Caldera, but little significant change in the relative standing of the four major candidates.



President-elect Leoni

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Western Hemisphere

POSTELECTION PROSPECTS IN VENEZUELA

Venezuela's new President-elect Raul Leoni, standard bearer of the Democratic Action (AD) party, received only about one third of the more than three million votes cast in the 1 December election. Rafael Caldera, of the progovernment Social Christian Party (COPEI), ended up in second place with almost 24 percent. Thus, the COPEI-AD coalition put together by President Betancourt has lost ground since 1958, when the two parties accounted for about 65 percent of the vote.

In Venezuela, voting is compulsory. The penalties for not voting are severe, including a fine of 5 percent of the income tax of the preceding year and a number of civic restrictions. The voters in this election were not intimidated by threats of violence from the Communist-directed Armed Forces of National Liberation (FALN) or by anti-Betancourt propaganda emanating from Havana and Moscow. The turnout of voters was about the same as in 1958, when 93 percent of the registrants cast ballots.

Leoni's difficulties before his inauguration on 2 March are likely to be substantial. Even before the votes were counted, the FALN threatened to react to a Leoni victory by instigating a "blood bath." A new flurry of terrorist incidents occurred on 2 and 3 December, but on 5 December the FALN released Colonel Chenault, deputy chief of the US Military Mission, who had been kidnaped the week before.

Even the continuation of terrorism, however, will focus attention on another of Leoni's problems--how to get along with the military. Leoni has been overshadowed by Betancourt during their 35-year comradeship in various revolutionary movements, imprisonments, and banishments. One result of Leoni's earlier self-effacement is that he has failed to develop a reputation for decisive action, and some military leaders fear that he will not be sufficiently forceful in repressing the FALN. His election, therefore, may renew threats of military intervention.

Leoni's other major problems have to do with congressional relations and with formation of his government. In congress, no party will have a majority. Moreover, the diverse elements which make up the congressional slate of each of the parties may not respond to ordinary party discipline.

Leoni is also in for some hard bargaining if he is to have an effective coalition regime ready by the time he takes office. His efforts promise to be especially complicated by the fact that COPEI increased its voting strength by one third and will probably demand greater representation in the government. In addition, with an apparent need to spread patronage more thinly than his predecessor had to, Leoni will be running a risk of stirring resentment among his own party faithful.

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NEW POLITICAL TENSIONS IN THE DOMINICAN REPUBLIC

Western Hemisphere

Political tensions in the Dominican Republic have been heightened by recent moves on the part of the military-installed provisional regime against pro-Castroites and by reaction to the regime's plans for a return to constitutional government.

On 2 December, the government outlawed the pro-Castro 24th of June Political Group (APCJ), until that time the only legal extreme leftist party in the country. This action was taken after police, searching for arms caches in the mountains near the northern coast, reportedly encountered two bands of guerrillas. According to a 1 December communiqué, the regime claims to have captured several of the rebels together with arms, ammunition, and Communist literature. The two bands, totaling about 70 men, are said to be led by the president of the APCJ and one of his lieutenants.

Meanwhile, the regime's electoral plans, which entail four elections for lesser offices--beginning in September 1964--prior to presidential balloting in July 1965, have aroused little enthusiasm outside government circles. The two moderate leftist parties which won two thirds of the vote in December 1962 have rejected the formula, and almost all leading

newspapers have expressed doubts about the plan.

Most prominent Dominicans believe that popular elections are the only way to end their own political impasse and to regain US recognition. However, some feel that the six minority parties backing the government will use their current influence in an effort to perpetuate themselves in power, while others doubt that the opposition parties will be allowed to compete without official harassment. Many observers, [redacted]

[redacted] have serious reservations about the wisdom of holding five elections within ten months in a country with practically no experience in democracy.

The current disarray among pro- and antigovernment forces and growing right wing influence in the government and armed forces are stimulating fears that extreme rightists may eventually gain control of the country. One would-be strong man, Luis Amiana Tio, recently resigned his army commission to form a new party and is said to be receiving financial support for a presidential bid from a wealthy former supporter of ex-Dictator Trujillo. [redacted]

AREA NOTE

Surinam's two-week-long cabinet crisis was resolved in the last week of November when Minister-President Johan Pengel formed a new coalition of three right-of-center parties. This coalition, like its predecessor, includes representatives of the three principal ethnic groups in this Dutch dependency's racially diverse society--the Negro Creoles, the East Indians, and the Javanese. Although the dispute (over a bauxite mining contract with a US company) which touched off the crisis

has also been settled, Surinam is probably in for a period of increasing instability. Racial tensions between the predominant Creoles and the Asians may have been exacerbated by the maneuvering that preceded the formation of the cabinet. Economic difficulties are also in prospect because proposed outlays for the government's ambitious development programs exceed available resources. [redacted]

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Western Hemisphere

AREA NOTES

Guatemala: Small guerrilla bands which have survived in the mountains of Guatemala for three years are again active and may be planning attacks on US properties. The Communist party (PGT) has renewed its efforts to control the rebel movement and, [redacted]

[redacted] has achieved considerable success. Luis Trejo, a guerrilla leader amenable to PGT direction, is [redacted]

[redacted] showing new confidence in rebel strength and morale and to have claimed that a new guerrilla front would soon be opened.

In the past, PGT control has reportedly been resisted by Yon Sosa, perhaps the most successful guerrilla leader, [redacted]

who prefers to maintain direct contact with the Castro regime for financial support and instructions. [redacted]

[redacted] These [redacted] are consistent with the frequent linking of support for Guatemalan and Venezuelan guerrillas in Che Guevara's speeches. At the current World Peace Council meeting in Warsaw, Chinese Communist spokesmen also specified revolutionary movements in those two countries as particularly deserving of active support. [redacted]

Bolivia: The activities of a pro-Castro group in Bolivia called the Committee of Anti-Imperialist Struggle (CLA), which apparently models itself on the Venezuelan terrorist organization, seem to be passing from the organizational phase to the operational. [redacted]

[redacted]

The CLA is believed to have been established in late 1962, [redacted]

Still small, it is composed of youths who formerly were associated with the youth organization of the governing National Revolutionary Movement. These activists presumably have become disillusioned with what they consider a shift to the right in the policies of President Paz. [redacted]

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